Comments of the Midwest Energy Efficiency Alliance in Response to the ICC's Request for Comments on the Sustainable Energy Plan

March 25, 2005

The Midwest Energy Efficiency Alliance (MEEA) is pleased to submit these comments in response to the questions posed by the Illinois Commerce Commission (ICC) about the new Illinois Sustainable Energy Plan. We look forward to working with the ICC to develop and implement the plan throughout the state.

Energy Efficiency Procurement Requirement

MEEA supports the recommendation to establish clear targets and metrics on a megawatt hour (MWh) basis. This ensures that base load efficiency is addressed and allows for peak load and other programs such as awareness campaigns and low income programs to meet the plan. In the Northwest, encompassing programs run by the Northwest Energy Efficiency Alliance, other utility programs, and Bonneville Power Administration (BPA) administered programs, a system for average Megawatt (aMW) demand reduction calculations was developed in which all efficiency savings are converted to this standard and goals are set in terms of aMW. This allows utilities to meet their goals with a diverse portfolio of efficiency programs. For more information about the design of the Northwest model, contact: Tom Eckman at 503-222-5161.

Cost Recovery

Effective cost recovery is vital to the successful implementation of Illinois' Sustainable Energy Plan. It allows utilities to recover the costs associated with their energy efficiency initiatives and potentially to earn incentives for exceeding the goals set out by the Plan. MEEA's understanding of the current language for cost recovery[1] is that each energy efficiency resource or program must individually be competitive with the cost per kilowatt hour to generate electricity in Illinois. MEEA recommends comparing the cost of the entire energy efficiency portfolio operated by an entity for a utility to the cost of traditional generation. This will allow utilities to offer a variety of programs, which may be less cost effective in the short-term, but still have value and long-term economic benefits.

A number of cost benefit tests, including the Participant Test, Ratepayer Impact Measure Test, Total Resource Cost Test and the Program Administrator Cost Test, are designed to measure the cost-effectiveness of energy efficiency programs and MEEA recommends the ICC investigate the strengths and weaknesses of each. In addition, considering these tests, the ICC should consider several issues including the locational value, societal benefits and participants' benefits of energy efficiency resources and their role in portfolio risk management.

[1] From the Illinois Sustainable Energy Plan "We recommend that the costs of complying with these energy efficiency and demand reduction requirements be fully recoverable in rates if they are shown to be competitive with traditional forms of generation and delivery services."

The participant benefits are measured by the quantifiable benefits and costs to the customer due to participation in the energy efficiency programs. These benefits include reduced utility bills and incentives received as part of a specific program and the costs may include expenses as a result of participating in the program and any increase in consumer bills.

The societal benefits of energy efficiency programs include more affordable energy bills and subsequently less unpaid bills and disconnections. The ICC should account for these benefits when valuing energy efficiency programs.

Locational value is the benefit the energy efficiency resource brings to areas where demand is growing more rapidly than the surrounding areas, higher voltage transmission lines are needed due to increased demand or where a substation is reaching its maximum capacity. In this case, simply comparing the cost of energy efficiency to save one kWh to the cost to generate one kWh is not enough. The avoided costs of building a new power plant, upgrading transmission lines and substations or building new lines and stations should be considered as savings associated with the energy efficiency resource.

Conventional natural gas and coal-fired generation inherently contains risk. Natural gas generation is subject to high and volatile natural gas prices and coal-fired generation faces the uncertainty of pollutant and carbon dioxide regulation. Meeting demand with energy efficiency inherently reduces these risks and should be factored into the benefits associated with energy efficiency programs in Illinois.

MEEA recommends contacting Rich Sedano, Director of the Regulatory Assistance Project for more information about cost recovery issues (802-223-8199 or rapsedano@aol.com).

Conclusion

Thank you for the opportunity to provide comments. We look forward to continuing the dialogue and helping to make the Sustainable Energy Plan a reality in the state of Illinois.